



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
LAWRENCE COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LAWRENCE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Lawrence County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued a qualified opinion on the financial statements taken as a whole. We qualified our opinion because we were unable to reconcile amounts reported as wages on the county's year-end financial statement with amounts reported on quarterly tax withholding reports.

Financial Condition:

Fund balances increased by \$163,738 from the prior fiscal year, resulting in a cash surplus of \$1,050,087 as of June 30, 2000. Revenues increased by \$183,663 from the prior year and disbursements increased by \$164,916.

Debt Obligations:

Total bonded debt principal as of June 30, 2000, was \$390,000. Future collections of \$512,886 are needed over the next 5 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$804,300 as of June 30, 2000. Future principal and interest payments of \$1,019,385 are needed to meet these obligations.

Report Comments:

The County Treasurer Should Maintain Accurate and Complete Payroll Records

The County Treasurer did not maintain accurate payroll records. During our procedures relating to payroll, we noted a difference of \$42,299 between the wages reported on the County Treasurer's quarterly report and wages reported on federal tax withholding reports. Therefore, the County Treasurer's wages reported on her financial statements are materially misstated by \$42,299.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable David L. Compton, Lawrence County Judge/Executive
Members of the Lawrence County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Lawrence County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Lawrence County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Lawrence County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable David L. Compton, Lawrence County Judge/Executive
Members of the Lawrence County Fiscal Court

We were unable to reconcile amounts reported as wages on the County's year-end financial statement with amounts reported on quarterly tax withholding reports. The County Treasurer did not maintain accurate payroll records that would allow us to make this reconciliation. During our procedures relating to payroll, we noted a difference of \$42,299 between the wages reported on the County Treasurer's quarterly report and wages reported on federal tax withholding reports. Therefore, the County Treasurer wages reported on her financial statement are materially misstated by \$42,299.

In our opinion, except for the possible effect on the financial statements of the matter described above, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Lawrence County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 2000, in conformity with the modified cash basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2001, on our consideration of Lawrence County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following area of noncompliance:

- The County Treasurer Should Maintain Accurate And Complete Payroll Records

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
February 28, 2001

LAWRENCE COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

David Compton	County Judge/Executive
Steve Sparks	Magistrate
Gary Nelson	Magistrate
Orville Rowe	Magistrate
Roger Jordan	Magistrate

Other Elected Officials:

Kimberly Compton	County Attorney
Farris T. Bush	Jailer
Gallie Isaac, Jr.	County Clerk
Martha Kiser	Circuit Court Clerk
Bobby Workman	Sheriff
James Heston	Property Valuation Administrator
L. Michael Wilson	Coroner

Appointed Personnel:

Sue Maynard	County Treasurer
Debbie Compton	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

LAWRENCE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:		
Cash	\$	30,319
Road and Bridge Fund:		
Cash		423,453
Jail Fund:		
Cash		92
Local Government Economic Assistance Fund:		
Cash		62,923
Forestry Fund:		
Cash		23,098
		\$ 539,885

Special Revenue Fund Type

Community Development Block Grant - Sewer Project Fund:		
Cash	\$	31
Community Development Block Grant - Economic Development Fund:		
Cash		390,871
Notes Receivable (Note 4)		123,394
E-911 Fund:		
Cash		111,352
Sewer Fees Fund:		
Cash		7,712
		633,360

Debt Service Fund Type

Voted Courthouse Annex Bond Fund:		
Cash		236
Total Assets		
		\$ 1,173,481

The accompanying notes are an integral part of the financial statements.

LAWRENCE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Total Assets and Other Resources (Continued)

Other Resources

General Fund Type

Road and Bridge Fund:

Amounts to be Provided in Future Years for

Capital Lease Principal Payments (Note 7) \$ 804,300

Debt Service Fund Type

Voted Courthouse Annex Bond Fund:

Amounts to be Provided in Future Years for Bond Payments (Note 5) 389,764

Total Assets and Other Resources \$ 2,367,545

Liabilities and Fund Balances

Liabilities

General Fund Types

Road and Bridge Fund:

Kentucky Area Development Districts Capital Lease Financing

Trust Agreement Principal (Note 7) \$ 804,300

Debt Service Fund Types

Community Development Block Grant Fund:

Deferred Revenue (Note 4) \$ 123,394

Voted Bond Fund:

Bond Principal Not Matured (Note 5) 390,000 513,394

The accompanying notes are an integral part of the financial statements.

LAWRENCE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances

Reserved:

General Fund Type

Local Government Economic Assistance Fund	\$	62,923	
Forestry Fund		<u>23,098</u>	\$ 86,021

Special Revenue Fund Type

Community Development Block Grant - Sewer Project Fund	\$	31	
Community Development Block Grant - Economic Development Fund		390,871	
E-911 Fund		111,352	
Sewer Fees Fund		<u>7,712</u>	509,966

Unreserved:

General Fund Type

General Fund	\$	30,319	
Road and Bridge Fund		423,453	
Jail Fund		<u>92</u>	<u>453,864</u>
Total Liabilities and Fund Balances			<u>\$ 2,367,545</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

LAWRENCE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	<u>General Fund Types</u>			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,488,245	\$ 1,030,179	\$ 1,246,546	\$ 71,897
Transfers In	618,644	175,000	175,000	204,100
Total Cash Receipts	<u>\$ 4,106,889</u>	<u>\$ 1,205,179</u>	<u>\$ 1,421,546</u>	<u>\$ 275,997</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,178,063	\$ 962,596	\$ 1,069,500	\$ 277,857
Transfers Out	618,644	239,544	175,000	
Bonds:				
Principal Paid	116,900		81,900	
Interest Paid	29,544			
Total Cash Disbursements	<u>\$ 3,943,151</u>	<u>\$ 1,202,140</u>	<u>\$ 1,326,400</u>	<u>\$ 277,857</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 163,738	\$ 3,039	\$ 95,146	\$ (1,860)
Cash Balance - July 1, 1999	886,349	27,280	328,307	1,952
Cash Balance - June 30, 2000	<u><u>\$ 1,050,087</u></u>	<u><u>\$ 30,319</u></u>	<u><u>\$ 423,453</u></u>	<u><u>\$ 92</u></u>

The accompanying notes are an integral part of the financial statements.

LAWRENCE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2000
(Continued)

General Fund Types		Special Revenue Fund Types			
Local Government Economic Assistance Fund	Forestry Fund	Community Development Block Grant - Block Grant - Sewer Project Fund	Community Development Block Grant - Economic Development Fund	E-911 Fund	Sewer Fees Fund
\$ 412,065	\$ 6,753	\$ 487,942	\$ 105,419	\$ 116,683	\$ 10,744
<u>\$ 412,065</u>	<u>\$ 6,753</u>	<u>\$ 487,942</u>	<u>\$ 105,419</u>	<u>\$ 116,683</u>	<u>\$ 10,744</u>
\$ 209,290	\$ 5,032	\$ 579,217	\$ 9,649	\$ 61,890	\$ 3,032
204,100					
<u>\$ 413,390</u>	<u>\$ 5,032</u>	<u>\$ 579,217</u>	<u>\$ 9,649</u>	<u>\$ 61,890</u>	<u>\$ 3,032</u>
\$ (1,325)	\$ 1,721	\$ (91,275)	\$ 95,770	\$ 54,793	\$ 7,712
64,248	21,377	91,306	295,101	56,559	
<u>\$ 62,923</u>	<u>\$ 23,098</u>	<u>\$ 31</u>	<u>\$ 390,871</u>	<u>\$ 111,352</u>	<u>\$ 7,712</u>

The accompanying notes are an integral part of the financial statements.

LAWRENCE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

	Debt Service Fund Types
	Voted Courthouse Annex Bond Fund
<u>Cash Receipts</u>	
Schedule of Operating Revenue	\$ 17
Transfers In	<u>64,544</u>
Total Cash Receipts	<u>\$ 64,561</u>
<u>Cash Disbursements</u>	
Comparative Schedule of Final Budget and Budgeted Expenditures	\$
Transfers Out	
Bonds:	
Principal Paid	35,000
Interest Paid	<u>29,544</u>
Total Cash Disbursements	<u>\$ 64,544</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 17
Cash Balance - July 1, 1999	<u>219</u>
Cash Balance - June 30, 2000	<u><u>\$ 236</u></u>

The accompanying notes are an integral part of the financial statements.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Lawrence County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Lawrence County Voted Courthouse Annex Bond as part of the reporting entity.

Additional – Lawrence County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Lawrence County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Lawrence County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Lawrence County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), and the Forestry Fund.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Community Development Block Grant – Sewer Project Fund, Community Development Block Grant – Economic Development Fund, E-911 Fund, and the Sewer Fees Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Voted Courthouse Annex Bond Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Lawrence County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Debt Service Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employee's Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bonds which named the county as beneficiary/obligee on the bonds.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 4. Receivable

The county loaned \$400,000 to Lawrence County Properties on March 16, 1984, for the purpose of leasing the old Louisa Carpet Mill Properties. Terms of the agreement stipulate 20 annual payments at 2 percent interest. Lawrence County Properties is in substantial compliance with the terms of the agreement. As of June 30, 2000, the principal balance was \$123,394.

Note 5. Long-Term Debt

- A. On July 1, 1987, Lawrence County Fiscal Court issued \$685,000 of bonds, payable semiannually on January 1 and July 1 of each year, beginning on January 1, 1998. The purpose of this bond issue was to finance construction of the Lawrence County Courthouse Annex. As of June 30, 2000, the principal balance was \$390,000. Bond Payments for the next five years are:

<u>Fiscal Year Ending</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2001	\$ 26,825	\$ 40,000
June 30, 2002	23,925	40,000
June 30, 2003	21,025	40,000
June 30, 2004	17,762	50,000
June 30, 2005	14,137	50,000
Remaining	<u>19,212</u>	<u>170,000</u>
Totals	<u>\$ 122,886</u>	<u>\$ 390,000</u>

- B. On November 1, 1998, Lawrence County Fiscal Court entered into an Assistance Agreement with the Kentucky Infrastructure Authority for the construction of sewer lines in the county. Terms of the agreement require principal and interest payments on June 1 and December 1 of each year. Principal and interest payments are to begin within one year from the completion of the sewer lines. Based on an estimate of completion from the Kentucky Natural Resource Environmental Protection Cabinet, Division of Water, repayment of principal and interest will begin on December 1, 2001. As of June 30, 2000, the loan principal balance was \$661,516.

Note 6. Lease-Purchase Agreements

Lawrence County entered into a lease agreement for the purchase of road equipment. The agreement requires four annual payments of \$34,278 to be paid in full in October 2000. The principal balance of the agreement was \$34,278 as of June 30, 2000.

LAWRENCE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 7. Kentucky Area Development Districts Financing Trust Agreement - Capital Lease

Lawrence County entered into a lease agreement with Kentucky Area Development Districts Financing Trust Program for road improvements. Terms of the agreement stipulate a ten-year repayment schedule with variable annual interest and principal payments. As of June 30, 2000, the principal balance was \$804,300. Lease payments for the next five years are:

<u>Fiscal Year Ending</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2001	\$ 48,850	\$ 87,100
June 30, 2002	43,331	92,600
June 30, 2003	37,462	98,500
June 30, 2004	31,222	104,600
June 30, 2005	24,592	111,300
Remaining	<u>29,628</u>	<u>310,200</u>
Totals	<u>\$ 215,085</u>	<u>\$ 804,300</u>

Note 8. Related Party Transactions

We note the following related party transactions for fiscal year 2000. We disclosed similar related party transactions in our prior year audit. The Lawrence County Ethics Committee has reviewed these transactions and determined that no wrongdoing exists.

- A. Commissioner and former County Judge/Executive Roger Jordan's brother-in-law, John Lemaster, was awarded contracts totaling \$4,500 for road repairs.
- B. County Treasurer Sue Maynard's brother, Jim Cyrus, was awarded contracts totaling \$39,480 for construction projects.
- C. County Treasurer Sue Maynard's son-in-law, Charles Allen Bradshaw, performed various repair projects totaling \$38,000 for the county.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

LAWRENCE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,529,005	\$ 1,030,179	\$ (498,826)
Road and Bridge Fund	1,493,583	1,246,546	(247,037)
Jail Fund	279,570	71,897	(207,673)
Local Government Economic Assistance Fund	233,167	412,065	178,898
Forestry Fund	5,257	6,753	1,496
<u>Special Revenue Fund Type</u>			
CDBG - Sewer Project Fund	772,100	487,942	(284,158)
CDBG - Economic Development Fund	55,000	105,419	50,419
E-911 Fund	120,000	116,683	(3,317)
Sewer Fees Fund	8,000	10,744	2,744
Totals	<u>\$ 4,495,682</u>	<u>\$ 3,488,228</u>	<u>\$ (1,007,454)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 4,495,682
Add: Budgeted Prior Year Surplus			676,118
Less: Other Financing Uses			<u>(732,165)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 4,439,635</u>

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SCHEDULE OF OPERATING REVENUE

LAWRENCE COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

Revenue Categories	GOVERNMENTAL FUND TYPES			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
Taxes	\$ 588,104	\$ 588,104	\$	\$
In Lieu Tax Payments	28,635	28,635		
Excess Fees	60,241	60,241		
License and Permits	66,520	66,520		
Intergovernmental Revenues	2,449,140	1,965,848	483,292	
Charges for Services	128,483		128,483	
Miscellaneous Revenues	135,449	39,199	96,250	
Interest Earned	31,673	18,893	12,763	17
Total Operating Revenue	<u>\$ 3,488,245</u>	<u>\$ 2,767,440</u>	<u>\$ 720,788</u>	<u>\$ 17</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

LAWRENCE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 513,905	\$ 544,960	\$ (31,055)
Protection to Persons and Property	359,641	333,658	25,983
General Health and Sanitation	139,196	125,641	13,555
Social Services	9,100	3,739	5,361
Recreation and Culture	10,000	10,647	(647)
Transportation Facilities and Services	14,144	15,554	(1,410)
Roads	842,795	808,683	34,112
Debt Service	103,132	99,847	3,285
Capital Projects	86,000	88,333	(2,333)
Administration	1,161,622	493,213	668,409
Total Operating Budget - All General Fund Types	\$ 3,239,535	\$ 2,524,275	\$ 715,260
Other Financing Uses:			
Borrowed Money-			
General Fund	303,160		303,160
Road Fund	276,080		276,080
Transfers to Voted Courthouse			
Bond Fund	68,425	64,544	3,881
Kentucky Area Development			
Districts Financing Trust	84,500	81,900	2,600
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 3,971,700</u>	<u>\$ 2,670,719</u>	<u>\$ 1,300,981</u>

LAWRENCE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2000
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 250,000	\$ 9,649	\$ 240,351
Protection to Persons and Property	170,000	61,890	108,110
Debt Service	5,000		5,000
Capital Projects	775,100	582,249	192,851
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 1,200,100</u>	<u>\$ 653,788</u>	<u>\$ 546,312</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

Kevin Flanery, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable David L. Compton, Lawrence County Judge/Executive

Members of the Lawrence County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Lawrence County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated February 28, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lawrence County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lawrence County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lawrence County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs.

- The County Treasurer Should Maintain Accurate And Complete Payroll Records

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management, and is not intended to be, and should not be, used by anyone other than the specified parties. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
February 28, 2001

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable David L. Compton, Lawrence County Judge/Executive
Members of the Lawrence County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Lawrence County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2000. Lawrence County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lawrence County's management. Our responsibility is to express an opinion on Lawrence County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lawrence County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lawrence County's compliance with those requirements.

In our opinion, Lawrence County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Report On Compliance With Requirements
Applicable To Each Major Program And Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Lawrence County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lawrence County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
February 28, 2001

FINDINGS AND QUESTIONED COSTS

LAWRENCE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2000

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a qualified opinion on the financial statements of Lawrence County.
2. One reportable condition disclosed during the audit of the financial statements is reported in the Independent Auditor's Report. The condition is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Lawrence County were disclosed during the audit.
4. No reportable condition disclosed during the audit of the major federal awards programs is reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Lawrence County expresses an unqualified opinion.
6. No audit findings relative to the major federal awards programs for Lawrence County are reported in Part C of this schedule.
7. The program tested as a major program was: Community Development Block Grants – CFDA #14.228.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Lawrence County was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

The County Treasurer Should Maintain Accurate And Complete Payroll Records

The County Treasurer did not maintain accurate payroll records. During our procedures relating to payroll, we noted a difference of \$42,299 between the wages reported on the County Treasurer's quarterly report and wages reported on federal tax withholding reports. Therefore, the County Treasurer's wages reported on her financial statements are materially misstated by \$42,299.

NONCOMPLIANCES

None

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

The Lawrence County Fiscal Court Should Disclose Related Party Transactions To The County Board Of Ethics.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

LAWRENCE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2000

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department of Local Government:		
Community Development Block Grants - Point Sewer Project (CFDA #14.228)	B-94-DC-21-0001(065)	\$ 209,039
Community Development Block Grants - Point Sewer Project (CFDA #14.228)	B-95-DC-21-0001(033)	<u>160,375</u>
Total U.S. Department of Housing and Urban Development (Note 2)		<u>\$ 369,414</u>
<u>U.S. Environmental Protection Agency</u>		
Passed-Through Kentucky Infrastructure Authority:		
Capitalization Grants for State Revolving Funds (CFDA #66.458)	A97-02	<u>\$ 216,002</u>
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants- Severe Weather (CFDA #83.544)	FEMA-DR-1320-KY	<u>\$ 92,490</u>

LAWRENCE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2000
 (Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of the Interior</u>		
Passed-Through State Department of Natural Resources: Abandoned Mine Lands (CFDA # 15.252)	M-00118383	<u>\$ 21,700</u>
<u>U.S. Department of Commerce</u>		
Passed-Through State Department of Local Government: White Appliance Buy Back Cleanup Grant (CFDA # 11.469)	Lawrence-CS00-24	<u>\$ 57,322</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 756,928</u></u>

LAWRENCE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2000

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis.

Note 2 - As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

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CERTIFICATION OF COMPLIANCE –
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

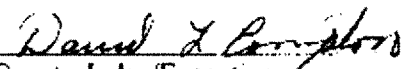
LAWRENCE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

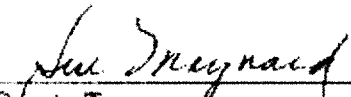
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
LAWRENCE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Lawrence County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer